

NEW SOUTH WALES.

BUSINESS STATISTICS - MONTHLY DIGEST.

3rd October, 1940.

C O N T E N T S.

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2. Notes on the World Wheat Situation.

Record World exportable stocks.

Increased American production

Argentine and Australian prospects.

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Wheat storage and flour excise in Canada.

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British purchases.

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Prices of wheat offal and rate of flour tax
increased.

NEW SOUTH WALES (AUSTRALIA).

MONTHLY DIGEST OF BUSINESS STATISTICS.

OCTOBER, 1940.

GENERAL. Commonwealth elections were held on Sept. 21. Economic conditions were undisturbed during the short campaign. The Government may retain a majority; the Prime Minister has summoned party leaders to consider formation of an All-Parties Government but fundamental changes in the country's war and economic policies are unlikely. These aim at a maximum war effort, and provide for rapid expansion of war industries, raising of another division of the A.I.F., and vigorous development of home defences.

Aircraft, ordnance and munitions establishments are increasing production rapidly and many new works (in some cases duplicating present capacity) are in course of construction. Already this has raised factory employment to a record level, and created an immediate problem of supply of skilled labour, partly overcome by dilution with co-operation of trade unionists, and to meet which a scheme of technical training has been developed.

Except that useful rain has temporarily relieved rural inland areas, the agricultural and pastoral outlook remains unpromising. In the economy as a whole, however, war expenditure and the favourable export season of 1939-40 have had wide repercussions and conditions of trade, industry and finance are favourable.

EMPLOYMENT.

There were in New South Wales 872,026 persons in employment in the middle week of August, 1940. This was 6,914 more than in July, 1940 and 40,220 more than in August, 1939. Some comparative details are given in the appended table. The increase in the number of persons employed in factories is the outstanding feature, but in practically all of the groups shown employment was greater in August, 1940 than a year before.

EMPLOYMENT IN NEW SOUTH WALES.

(Excluding Relief Workers and men in the Armed Forces not on Civil Paysheets.)

Middle week of -	All Emp-loy-ment.	All Priv-ate Emp't.	In All Factor-ies.	In Firms with Ten or More Employees.						
				Mines	Re-tail Trade	W'sale Trade.	Offices and C'merce	Ship'g & Rd. Trnspt.	Per-sonal Service	Other Indus-tries.
Number of Persons Employed - Thousands.										
Aug., 1937	808.8	660.8	219.3	19.4	49.9	24.3	25.4	18.2	26.9	21.3
1938	834.6	684.9	229.0	21.0	51.3	25.3	26.3	19.5	28.7	21.7
1939	831.8	680.3	224.7	21.7	51.3	25.4	27.1	20.7	29.3	20.2
July, 1940	865.1	708.3	239.9	21.1	52.1	25.9	28.1	21.6	30.2	19.9
Aug., "	872.0	714.7	243.9	21.0	51.7	25.9	29.1	21.4	29.7	20.4
Increase - Aug., 1939 to 1940 %	4.8	5.1	8.5	- 3.2	0.8	2.0	7.4	3.4	1.4	1.0

Ø Includes hospitals, religion, amusements, hotels, etc.

MANUFACTURING INDUSTRIES.

The rapid development of war industries rests on the foundation of the post-depression expansion of secondary industries, and in particular the enlarged capacity in iron and steel. Factory employment in New South Wales in August, 1940 was 35 per cent. above the record pre-depression average (1928-29) and has grown as follows:-

Employment in Factories in New South Wales.

	<u>Aver.</u> <u>1928-29.</u>	<u>June,</u> <u>1933.</u>	<u>Aug.,</u> <u>1938.</u>	<u>Aug.,</u> <u>1939.</u>	<u>Mar.,</u> <u>1940.</u>	<u>May,</u> <u>1940.</u>	<u>Aug.,</u> <u>1940.</u>
Persons (000)	180.7	139.7	229.0	224.7	241.3	225.7	243.9
Index No.	100	77	127	124	133	125	135

/Particulars.....

Particulars of employment in factories with ten or more employees indicate war production as the predominant influence in the recent increase (e.g. metal working, chemicals, textiles, etc.):—

EMPLOYMENT IN FACTORIES WITH TEN OR MORE EMPLOYEES, N.S.W.

Middle Week of -	Cement etc. Bricks Glass &c.	Chemicals.	Industrial Metals.	Textile and Clothing	Food and Drink	Wood-working &c.	Paper & Printing.	Rubber.
	Number of Persons Employed - Thousands.							
August, 1935	8.14	5.34	45.50	31.36	22.37	8.17	12.07	2.64
1939	11.50	7.24	61.78	36.96	27.96	9.89	14.81	3.68
July, 1940	12.18	8.72	68.37	39.66	28.61	9.51	14.95	4.08
August, "	12.49	8.62	70.85	40.22	28.95	9.65	14.58	3.74

The Government has taken steps to accumulate at least six months supply of imported industrial materials and regulations have been made facilitating transfer of skilled workers from civil to war industries and providing safeguards for tradesmen in whose trades skilled laborers and trainees have been drafted to tradesmen's work.

Iron and steel production continues to expand, and records in consumption of gas and electricity, the haulage of coal by rail, and in sales from 42 large factories (12.7 per cent. greater in Jan.-July in 1940 than in 1939) reflect the upward trend of industrial activity:—

	42 Large Factories Sales. (£000)		Coal Hauled by Rail (000 Tons)		Gas and Electricity Consumed (Sydney)
	July.	Jan.-July.	August.	Jan.-Aug.	August.
1938	3.03	21.67	623	5,239	Index No. 128
1939	2.96	21.22	841	5,792	135
1940	3.51	23.91	880	4,219 ø	137

ø Affected by industrial dispute (Mar. 11 to May 17).

TRANSPORTATION.

Operating results of Government railways and tram and omnibus services were exceptionally favourable in July and August, 1940 mainly due to increased traffic consequent upon the record levels of industrial activity and employment. In those months working surpluses increased for the railways by 87 per cent. and for trams and buses by 53 per cent. in comparison with July-August, 1939.

Petrol rationing (under amended scales) began on Oct. 1, 1940. Anticipatory reactions to this, increased costs of motor operation, and restrictions on motor vehicle imports from non-sterling countries, have caused a drastic decrease in new motor sales. This is welcomed as curtailing calls on foreign exchange needed for war purposes as the efficiency of road transport is unlikely to suffer by non-replacement for a year or two. Total registrations are also decreasing; decrease for the first year of the war were 11,437 cars and 3,062 lorries and vans.

	Government Railways.			Govt. trams & omnibuses.		Motor Vehicles (a)		
	Passengers.	Goods Ton Mileage.	Working Surplus.(b)	Passengers.	Working surplus.(b)	New Motor Sales.	On Register.	
							Cars.	Lorries &c.
	July and August.			July & Aug.		Aug.	At Aug. 31	
	mill.	mill.	£000	mill.	£000	Per week.	000	000
1937	31.1	290.0	935.2	58.5	117.2	624	191.8	67.1
1938	31.4	314.3	764.7	59.2	73.5	487	206.0	73.6
1939	29.5	303.3	872.4	60.4	82.7	468	216.6	77.6
1940	30.5	469.1	1632.4	63.7	126.3	141	205.2	74.6

(a) Excluding cycles and military vehicles. (b) Excess of earnings over working expenses before meeting interest, etc. charges.

BUILDING
INDUSTRY.

Building activity, after reviving somewhat, appears steady at a level from 15 to 20 per cent. below that of 1937-38 and 1938-39. In the first eight months of 1940 there was a decrease of 17.2 per cent. in the value of permits compared with last year. The falling-off is most marked in the city as the following table shows:-

PERMITS GRANTED FOR PRIVATE BUILDINGS - SYDNEY AND SUBURBS.

		1940.					Eight months ended August.				
		Mar. Qr.	June Qr.	June.	July	Aug.	1936.	1937.	1938.	1939.	1940.
City	£000	225	262	121	236	124	1542	1686	2340	1354	848
Suburbs	£000	2099	2717	838	812	832	5190	5296	7398	7462	6459
Total	£000	2324	2979	959	1048	956	6732	6982	9738	8816	7307

In value permits for all classes of buildings (except hotels, etc.) fall below those of a year ago, though only slightly so for houses. A good deal of factory building is proceeding; in the three months ended August, 1940 the monthly average was £91,000 compared with £73,000 in the preceding nine months, £106,000 in 1939 and £67,000 in 1938. Class totals for the eight months ended August compare as follows:-

Jan.-Aug.	Houses.	Flats.	Hotels &c.	Shops.	Factories.	Other Buildings.
1938 £000	4020	2391	417	375	686	1849
1939 £000	3880	2188	313	375	985	1075
1940 £000	3817	1425	495	226	635	709

Adding contracts for public buildings the totals in the metropolis in July and August were £3,186,000 in 1939 and £2,232,000 in 1940.

Proposals for dwellings have increased in the last three months but in the eight months ended August were:-

	1937.	1938.	1939.	1940.
	Number of Dwellings.			
Individual houses	2965	4409	4282	3976
In Flats, with shops &c.	2435	4151	3313	2246
Total (ex demolitions, etc.)	5104	8330	7366	5997

TRADE AND
COMMERCE.

Particulars of oversea trade in the State are not now published. For the Commonwealth as a whole results of merchandise trade in July and August show, in comparison with those months of last year, increases for both exports and imports, though the latter appear to be moderating, perhaps consequent upon restrictions imposed earlier becoming effective.

There has been a big increase in cheques cleared, and in June-Aug., 1940 the index number of bank clearings in Sydney was at the record level of 118 (1926-30=100) compared with 99 in June-Aug., 1939. War finance transactions have a part in the increase, which reflects also the higher export income of 1939-40, some increase in prices, and widespread stimulation of industry and employment by heavy war expenditure.

The real estate market shows no marked change. In wholesale and retail trade the value of sales has increased but making allowance for higher prices, and in wholesale trade for sales direct from factories of war materials, no significant change in consumer buying is indicated. Effective control of prices has been a major factor in preserving normal conditions of trade. Real estate transactions have not regained the pre-war level, but the market is firm and values tend to harden.

/TABLE.....

	Bank Clearings (Sydney)		Real Estate. (N.S.W.)		Wholesale Trade (N.S.W.)		Retail Trade (Sydney)
	Amount	Index No.	Sales.	Mortgages.	Sales.		Sales.
	Jan.-Aug.	June-Aug.	Jan.-August.		July.	Jan.-July.	May-July.
	£m.	1926-30 =100	£m.	£m.	£m.	£m.	Index No. 1931=100.
1937	612.2	98	24.5	15.3	16.6	108.3	130
1938	614.5	101	25.8	17.8	16.2	110.6	138
1939	601.6	99	22.4	16.2	15.3	109.0	138
1940	706.6	118	20.1	11.8	16.7	114.5	146

INVESTMENT. The Sydney Stock Exchange has strengthened gradually since early in July, and the average value of ordinary company shares is now almost 20 per cent. above the lowest point (July 2) and within about 7 per cent. of the highest point of this year. Simultaneously Government securities have risen to the highest value on record. On Sept. 25 the average net redemption yield on bonds of five or more years maturity was £3.5s.11d. per cent., or 14s.9d. per cent. lower than on Sept. 27, 1939. The weighted average rate of interest on private first mortgages is also declining gradually; on rural mortgages the rate is only slightly and on urban mortgages about one-half per cent. higher than the record low averages for the year 1935.

Small savings, which showed abnormal movements in May and June have now resumed a favourable trend. Deposits in savings banks in New South Wales increased by £939,000 in August, 1940 (the largest increase of any month for several years) and in the same month about £530,000 was paid in purchases of War Savings Certificates in this State. During August, 1940 open savings accounts increased in number by 6,606.

Some comparative particulars are:-

	Unit.	Aug., 1938.	Aug., 1939.	June, 1940.	July, 1940.	Aug., 1940.
<u>Stock Exchange</u>						
75 Ord.Coy.Shares	Index No;	179	174	151	151	155
Manf'g Coy.Shares	Par=100	211	213	187	192	197
<u>Interest Rates:</u>						
Gov't.Securities x (over 5 years)	Per cent.	£3 15s. per ann.	£4.0s.	£3 7s.	£3.7s.	£3.7s.
<u>First mortgages.</u>						
Rural	"	4.9	5.2	5.0	5.0	4.9
Urban	"	5.5	5.5	5.6	5.6	5.6
<u>Savings Banks, N.S.W.</u>						
Incr.in Deposits	£000	357	294	- 3,068	24	939
Amt. of "	£million	86.3	87.0	82.1	82.1	83.1

x Sept. 25, 1940: £3.5s.11d. per cent.

PUBLIC ACCOUNTS. In July and August, 1940 State revenue was 21.8 per cent. and expenditure, 7.2 per cent. greater than in the corresponding months of last financial year. There was an improvement for the two months of £935,000 to which the very favourable results of the railways and tramway and omnibus services made the major contribution. Budget proposals for the year ending June, 1941 have not yet been presented, but it has been announced that State taxes will not be increased and will be reduced wherever possible. Accounts for the two months in recent years compare as under:-

Two months ended August.					
New South Wales Government.	1936.	1937.	1938.	1939.	1940.
Revenue £m.	7.13	7.44	7.56	7.34	8.95
Expenditure £m.	8.42	8.57	8.33	9.26	9.92

/RURAL.....

RURAL
INDUSTRIES.

As a result of five months of very dry weather wheat crops had already failed in the more uncertain sections of the wheat belt before the occurrence of substantial rains a fortnight ago. Given following rains remaining crops may develop satisfactorily but at the best the harvest is not expected to exceed 35 million bushels. This is approximately half that of 1939-40 and 25 m. bus. below the average of the last ten years.

Wool shearing has proceeded expeditiously but the clip is lighter and somewhat inferior in quality to that of 1939-40. Appraisments are proceeding. Plans to store Australian wool in the United States on United Kingdom account will lessen the problem of storage in Australia. Pastures are reviving but favourable conditions in coming months are needed to assure satisfactory grazing for the summer.

Useful rain in important dairying districts has resulted in increased butter production, but more rain is needed before the outlook can be viewed as favourable. Egg production has increased, and up to mid- September 2.7 million doz. eggs had been packed for export to the United Kingdom, compared with 1.25 m. doz. in the corresponding period of 1939-40.

THE WORLD WHEAT SITUATION.

World wheat supplies and potential demand are thrown into greater disequilibrium by higher production estimates in North America. Present indications are for a moderate Argentine and a very small Australian 1940-41 harvest.

The Continent seems likely to suffer a severe wheat shortage before next European harvest.

World trade languishes and local needs are the main support of the local market. Wheat prices generally are very firm though Argentine offers are being pressed at reduced prices.

THE SUPPLY POSITION.

Information filtering through neutral sources supports the general forecast of light harvests in blockaded Europe, but quantitative estimates are not available. However, assuming effectiveness of the blockade, the requirements of enemy occupied territory can have no bearing on the supply situation (neighbouring European wheat exporting countries have no surplus for export). It is manifest that wheat is accumulating while surpluses far in excess of effective demand are being produced. For Canada and the United States alone, estimates of the 1940 harvest are now 200 million bushels higher than forecasts of two months ago, so that there must be a substantial addition to the estimated world carryover of some 1,000 m. bus. of wheat then indicated by the United States Dept. of Agriculture. Exportable stocks may be very nearly twice as large as in 1933 (609 m.b.) when they were greatest during the agricultural depression.

PRODUCTION 1940-41.

During the past month forecasts were increased for United States Spring wheat by 23 m. bus. and for Canada (all wheat) by 71 m. bus. The estimate for these two countries together is now 1345 m. bus. comparing with earlier years as under:-

	<u>1937.</u>	<u>1938.</u>	<u>1939.</u>	<u>1940 (Est.)</u>
Million bus.	1,056	1,282	1,245	1,345

In Japan a record harvest of 65 m. bus. is claimed which is 17 m. bus. above the forecast in June, 1940. There is practically no amplification of the particulars for European countries given in the review of Sept. 5, 1940.

ARGENTINA. The area sown in Argentina is rather less than 17 million acres, compared with 17.8 m.ac. sown last season and an average of 17.9 m.ac. in the years 1933-37. Excessive rain occurred at sowing time and an unseasonable spell of hot weather caused some damage; present indications are for a harvest of from 175 to 200 m. bus. Last season Argentina harvested only 118 m. bus. after the big crop of 336 m. bus. in 1938-39. The average for the five seasons ended 1937-38 was 220 m. bus.

AUSTRALIA. In Australia the area sown this season is probably from 3 to 4 per cent. smaller than in 1939-40. Some authorities doubt if a harvest of 100 m. bus. will be obtained, compared with that of 210 m.b. in 1939-40 and an average of 178 m.bus. in the ten years ended 1939-40. Given favourable conditions from now until harvest production in New South Wales might reach about 35 m.bus. This would be the smallest harvest since 1929-30 (34.4 m.b.) and 42 per cent. below the average (60 mb.) for the last ten seasons. A conference of State and Commonwealth agricultural authorities has been held to consider the provision of assistance to farmers who have suffered severe loss owing to the drought, but decisions of the conference have not yet been announced.

ENEMY SUPPLIES. It is not possible to indicate in precise terms the position of wheat supplies in territories in Europe controlled by the Axis Powers, but some light on the situation is given by the particulars shown below. These appear to justify forebodings of authorities, such as Mr. Hoover, that much of Europe may face famine during the months before next European harvest. Danubian exporting countries have scarcely sufficient wheat for home requirements, and although Russian crops are said to have done better than those of Western and Central Europe, it is doubted, having regard to last season's barely satisfactory

crop, if there will be much Russian wheat to spare for export. A neutral source reports the German wheat harvest as given by the German Statistical Service as 192 m.bus. This is regarded sceptically in view of seasonal conditions and wartime problems of agricultural labour; nor is the area covered by the forecast defined. The wheat harvests in Denmark, Norway, Holland and Belgium (which countries normally import over 80 m.bus. a year) were very poor.

WHEAT PRODUCTION, CONSUMPTION AND TRADE - GERMANY, ITALY
AND DANUBIAN EXPORTING COUNTRIES.

	Germany.ø	Italy.	Bulgaria.	Hungary.	Rumania.	Yugoslavia.
	Millions of bushels of wheat.					
Aver. Consumption 1933-37	210	281	48	61	87	74
" Net Imports 1934-38	24	17	-	-	-	-
" " Exports "	-	-	4	19	16	6
Aver. Harvest 1934-38	189	267	55	81	124	87
Harvest 1939	206	294	71	113	164	106
$\frac{1}{3}$ " (Forecast) 1940	(192)	268	56	77	56 x	70

ø Including Austria.

x Ex. Bessarabia?

In Italy it is now provided that the wheat content in bread may not exceed 80 per cent.

Earlier in the season it was reported that Turkey had a wheat harvest providing 32 m. bus. for export. Some sales to Greece took place but the export of wheat, barley and maize has now been banned. Yugoslavia has also prohibited wheat exports and authorised the importation of $3\frac{3}{4}$ m. bus. of wheat.

CANADA. Because of the heavy carry-over stocks on July 31, 1940 (273 m. bus.) and the acute storage problem, deliveries of new crop wheat in Canada were limited to 5 bushels per acre, and the Railway Association of Canada also placed restrictions on the railing of wheat from the Prairie Provinces to the Lakehead ports. As a result Canadian farmers are obliged to store at least 70 per cent. of the new wheat on the farms.

The Canadian Government has imposed an excise duty of 15 cents (A.10d.) a bushel on wheat gristed for home consumption, without permitting any increase in bread prices. The duty will yield about £A2.06 m. or sufficient to increase the price of wheat to growers by about 1d. a bushel.

WORLD TRADE. World shipments of wheat, as reported by the Trade have averaged between 4 and 5 million bushels a week latterly, compared with the normal movement of about 10 to 12 million bushels a week. The United Kingdom is the only remaining important importing country. Spain, Portugal and Greece are making some purchases, but little wheat has been sold for export to the Far East for some time.

During September the British Cereals Import Committee bought Canadian wheat for January and February loading; apparently additional to the 100 m. bus. bought for delivery throughout the year in August last. British millers are required to use 60 per cent. Canadian wheat in the grist. Fair deliveries of home grown wheat are now being made in the United Kingdom.

As an extraction of 73 per cent. (in place of the normal 70 per cent.) of flour from wheat is required, this is equivalent to adding 4 per cent. to the grain reserves of the United Kingdom. The higher extraction has no appreciable effect on the quality of the bread.

PRICES. Wheat futures in Winnipeg are still pegged, but on Sept. 18, 1940 the minimum price for October futures was reduced from $73\frac{5}{8}$ cents to 70 cents a bushel. On Sept. 30, however, these futures were quoted at $1\frac{1}{4}$ cents above the minimum price. In Chicago the rising trend of the latter half of August continued (with

/some.....

some check in mid-September) and at the close of the month December options at 82 $\frac{7}{8}$ cents a bushel were highest since pegged minima were removed on June 14, and 12 $\frac{5}{8}$ cents a bushel higher than on August 16. The strength of the Chicago market may be due to farmers accepting Government loans on wheat, thus limiting supplies available to buyers.

On the London Baltic Exchange prices of Australian and Canadian parcels were unchanged but as the result of Argentine pressure to sell new crop wheat quotations of Rosafe fell from 24s.3d. to 21s.6d. a quarter over the latter half of September.

With the statistical position of wheat as bearish as it is, prices are obviously sustained by the virtual arbitrary determination of values and market control, and more or less related to the terms on which the British Ministry of Supply is acquiring wheat. There is nothing in the situation to suggest higher prices, but while present market controls prevail wheat values seem unlikely to decline.

LOCAL TRADE. No important export sales of Australian wheat have been reported for some time, nor have millers been able to obtain orders for much flour for export. Sales for local consumption have proceeded quietly. The Australian Wheat Board's prices for produce bagged wheat in certain cases were increased $\frac{1}{2}$ d. a bushel on Sept. 23 but otherwise prices were unchanged during September. These were (per bushel, f.o.r., Sydney) for bagged wheat, 4s.2 $\frac{1}{4}$ d. and for silo wheat for local consumption and small export orders, 3s.11 $\frac{1}{4}$ d. The latter quotation compares with an average of 2s.9d. in September, 1939. Other comparisons of wheat prices are:-

PRICES OF BULK WHEAT - SYDNEY.

Monthly Averages - Per Bushel, ex Trucks, Sydney. ø

Excluding bounty and including storage charges when payable.

	Season ended Nov.	Dec.	May	June	July	Aug.	Sept.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1933-34	2 9	2 7	2 7	2 9	2 11	3 3	3 0
1936-37	5 3	5 4	5 4	5 1	5 7	5 3 $\frac{1}{2}$	5 3
1937-38	4 0	4 6	3 11	3 7	3 8	3 2 $\frac{1}{2}$	2 10 $\frac{1}{2}$
1938-39	2 5	2 6	2 7	2 5	2 3 $\frac{1}{2}$	2 3	2 9
1939-40	-	3 5	4 0	4 0	4 0	3 11 $\frac{1}{4}$	3 11 $\frac{1}{4}$

ø Shippers offers ex trucks, Sydney to 1938-39; Aust. Wheat Board's price for wheat for local flour and small export orders from Dec., 1939.

Growers have been paid advances equal, for bulk wheat, to 2s.5d. (net) a bushel at country sidings for wheat delivered to the 1939-40 pool. Further payment will be dependent upon realisations from sale (when completed) of all wheat in that pool.

FLOUR. There has been no change in the price of flour (£12.10s. a ton) but on Sept. 27 prices of bran and pollard in New South Wales (and Victoria, and later, elsewhere in Australia) were increased by 10s. a ton by the initial fixation by the Prices Commissioner. The determination of offal prices was made to prevent sales at a premium as were being made by some suppliers. As from Sept. 30 the rate of the flour tax was increased from £1.18s.5d. to £2 .2s.10d. a ton to counter-balance the increase in prices of bran and pollard. Ordinarily an increase in the price of offals would mean a reduction in the price of flour.